INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER 2023

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in four business segments: Broadcasting, Film Production & Audiovisual Services, Magazines, and Production & Distribution. In the Broadcasting segment, the Corporation creates, broadcasts and produces entertainment, sports, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction services. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec's largest magazine publisher. The Production & Distribution segment produces and distributes television programs for the world market. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the third quarter of 2023 and major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month and nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2022 and in the Condensed Consolidated Financial Statements dated September 30, 2023. All amounts are stated in Canadian dollars.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

- The **Broadcasting** segment, which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services, including those of its Communications Qolab inc. ("**Qolab**") subsidiary;

- The **Film Production & Audiovisual Services** segment ("**MELS**"), which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("**media accessibility services**"), postproduction and virtual production;

- The **Magazines** segment, which through its TVA Publications inc. subsidiary publishes magazines in various fields including the arts, entertainment, television, fashion and decorating, and markets digital products associated with the various magazine brands;

- The **Production & Distribution** segment, which through the companies in the Incendo group ("**Incendo**") and the TVA Films division produces and distributes television shows, movies and television series for the world market.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2023

- On November 2, 2023, in the context of the worldwide crisis in the media industry, the Corporation announced major changes to its organizational structure. It will implement a reorganization plan that will refocus its mission on broadcasting, restructure its news division and optimize its real estate holdings. The goal is to reduce the Corporation's operating costs. The plan will reduce the Corporation's workforce by 547 employees. Most of the costs associated with the elimination of positions will be recognized in the fourth quarter of 2023.

- During the third quarter of 2023, unfavourable market conditions and the changing ecosystem in the television industry led the Corporation to record a $4,813,000 goodwill impairment charge, as well as a $2,850,000 impairment charge with respect to certain trademarks.

- On October 2, 2023, the Corporation announced the appointment of Patrick Jutras as President of MELS. Mr. Jutras will be tasked with accelerating MELS' growth and strengthening the company's commercial ties on the local and international scenes in order to attract still more large-scale productions. His responsibilities as President of MELS will be added to those he currently holds and has held since 2019 as Chief Advertising Officer for Quebecor Media and TVA Group.

- On August 23, 2023, the Corporation announced that Martin Picard would be stepping down from his position as Vice-President and Chief Operating Officer of TVA Group.

NON-IFRS FINANCIAL MEASURES

To evaluate its financial performance, the Corporation uses certain measures that are not calculated in accordance with or recognized under IFRS. The Corporation's method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other similarly titled measures reported by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income tax expense (recovery) and share of (income) loss of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of EBITDA may not be the same as similarly titled measures reported by other companies.

Table 1 below presents a reconciliation of adjusted EBITDA (negative adjusted EBITDA) to net (loss) income as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted EBITDA (negative adjusted EBITDA) measure used in this report to the (net loss) net income measure used in the condensed consolidated financial statements
(in thousands of dollars)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Adjusted EBITDA (negative adjusted EBITDA):				
Broadcasting	**$ 14,456**	$ 14,067	**$ (12,889)**	$ (1,550)
Film Production & Audiovisual Services	**669**	2,585	**(299)**	8,601
Magazines	**1,288**	1,222	**1,230**	3,308
Production & Distribution	**(146)**	49	**81**	1,113
Intersegment items	**218**	272	**542**	237
	16,485	18,195	**(11,335)**	11,709
Depreciation and amortization	**6,805**	7,446	**20,960**	22,528
Financial expenses	**947**	64	**786**	658
Operational restructuring costs and other	**7,684**	49	**8,706**	182
Income taxes (income tax recovery)	**1,691**	2,842	**(9,634)**	(2,817)
Share of (income) loss of associates	**(3)**	195	**(134)**	(217)
Net (loss) income	**$ (639)**	$ 7,599	**$ (32,019)**	$ (8,625)

ANALYSIS OF CONSOLIDATED RESULTS

2023/2022 third quarter comparison

Revenues: $118,620,000, an $11,899,000 (-9.1%) decrease.

- Decreases in all business segments, i.e. Broadcasting ($6,284,000 or -6.0% of segment revenues), Film Production & Audiovisual Services ($4,785,000 or -27.7%), Production & Distribution ($729,000 or -22.2%) and Magazines ($603,000 or -6.1%).

Adjusted EBITDA: $16,485,000, a $1,710,000 (-9.4%) decrease.

- Unfavourable variances in Film Production & Audiovisual Services ($1,916,000 or -74.1%) and Production & Distribution ($195,000).

- Favourable variances in Broadcasting ($389,000 or 2.8%) and Magazines ($66,000 or 5.4%).

Net loss attributable to shareholders: $639,000 (-$0.01 per basic share), compared with net income attributable to shareholders of $7,623,000 ($0.18 per basic share) for the same period of 2022. The $8,262,000 (-$0.19 per basic share) unfavourable variance was essentially due to:

- $7,635,000 unfavourable variance in operational restructuring costs and other; and

- $1,710,000 decrease in adjusted EBITDA;

  partially offset by:

- $1,151,000 favourable variance in income taxes.

Depreciation and amortization: $6,805,000, a $641,000 decrease, mainly due to the decrease in the depreciation charge for technical equipment, equipment for rental and property developments that have been fully amortized.

Financial expenses: $947,000, an $883,000 increase caused essentially by an unfavourable variance in interest on debt related to higher average indebtedness and a higher cost of financing, partially offset by a favourable variance in the interest income related to the defined benefit plans.

Operational restructuring costs and other: $7,684,000 for the third quarter of 2023, compared with $49,000 for the same period of 2022.

- During the third quarter of 2023, unfavourable market conditions and the changing ecosystem of the television industry led the Corporation to perform an impairment test on its Broadcasting cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount, based on fair value less costs of disposal, was less than its carrying amount. Accordingly, a $4,813,000 goodwill impairment charge was recognized, as well as a $2,850,000 impairment charge with respect to certain trademarks.

- During the three-month period ended September 30, 2023, the Corporation also recorded a $21,000 charge stemming mainly from the elimination of positions and the implementation of cost reduction measures, including $11,000 in the Film Production & Audiovisual Services segment and $10,000 in the Broadcasting segment ($49,000 for the same period of 2022 on a consolidated basis, entirely in the Film Production & Audiovisual Services segment).

Income taxes: $1,691,000 (effective tax rate of 161.2%) for the third quarter of 2023, compared with $2,842,000 (effective tax rate of 26.7%) for the same period of 2022, a favourable variance of $1,151,000, due mainly to the recording of lower taxable income for tax purposes compare with the same period of 2022. The effective tax rate was higher than the statutory rate of 26.5% for the three-month period ended September 30, 2023 partly due to the permanent variance stemming from the goodwill impairment charge, as well as the recognition of foreign income taxes. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $3,000 for the third quarter of 2023, compared with a loss of $195,000 for the same quarter of 2022; the $198,000 favourable variance was due to the improved financial results of an associate in the television industry.

<u>2023/2022 year-to-date comparison</u>

Revenues: $393,483,000, a $29,002,000 (-6.9%) decrease.

- Decreases in all business segments, i.e. Film Production & Audiovisual Services ($15,959,000 or -29.0% of segment revenues), Broadcasting ($10,741,000 or -3.2%), Magazines ($2,629,000 or -8.8%) and Production & Distribution ($942,000 or -8.0%).

Negative adjusted EBITDA: $11,335,000, a $23,044,000 unfavourable variance.

- Unfavourable variances in all segments, i.e. Broadcasting ($11,339,000), Film Production & Audiovisual Services ($8,900,000), Magazines ($2,078,000 or -62.8%) and Production & Distribution ($1,032,000 or -92.7%).

Net loss attributable to shareholders: $32,019,000 (-$0.74 per basic share) for the first nine months of 2023, compared with $8,605,000 (-$0.20 per basic share) for the same period of 2022. The $23,414,000 (-$0.54 per basic share) unfavourable variance was essentially due to:

- $23,044,000 unfavourable variance in adjusted EBITDA; and

- $8,524,000 unfavourable variance in operational restructuring costs and other;

  partially offset by:

- $6,817,000 favourable variance in income tax recovery; and

- $1,568,000 favourable variance in the depreciation and amortization charge.

Depreciation and amortization: $20,960,000, a $1,568,000 decrease essentially due to the same factors as those noted above in the 2023/2022 third-quarter comparison, as well as a decrease in the depreciation charge associated with building right-of-use assets and leasehold improvements that have been fully amortized.

Financial expenses: $786,000, an increase of $128,000, due primarily to the same factors as those noted above in the 2023/2022 third quarter comparison.

Operational restructuring costs and other: $8,706,000 for the first nine months of 2023, compared with $182,000 for the same period of 2022.

- As noted in the 2023/2022 third quarter comparison, the Corporation recorded a $4,813,000 goodwill impairment charge, as well as a $2,850,000 impairment charge with respect to certain trademarks in the Broadcasting CGU.

- In the first nine months of 2023, the Corporation also recorded a $1,086,000 charge arising primarily from the elimination of positions and cost reduction measures, including $729,000 in the Broadcasting segment, $214,000 in the Film Production & Audiovisual Services segment, $111,000 in the Magazines segment and $32,000 in the Production & Distribution segment ($164,000 for the same period of 2022, including $102,000 in the Broadcasting segment and $49,000 in the Film Production & Audiovisual Services segment).

- In the nine-month period ended September 30, 2022, the Corporation had recorded a $587,000 charge reversal in connection with remeasurement of the contingent consideration payable on acquisition of the companies in the Incendo group, as well as a $622,000 impairment charge related to the value of its investment in an associate in the Magazines segment.

Income tax recovery: $9,634,000 (effective tax rate of 23.1%) for the first nine months of 2023, compared with $2,817,000 (effective tax rate of 24.2%) for the same period of 2022, a favourable variance of $6,817,000, due mainly to the impact of recording of a larger loss deductible for tax purposes for the first nine months of 2023, compared with the same period of 2022. The effective tax rate was lower than the statutory rate of 26.5% for the nine-month period ended September 30, 2023, mainly due to the permanent variance stemming from the goodwill impairment charge. The effective tax rate was lower than the statutory rate of 26.5% for the nine-month period ended September 30, 2022 partly due to the permanent variance stemming from the impairment charge related to the fair value of an investment, as well as the recognition of foreign income taxes. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $134,000 for the first nine months of 2023, compared with $217,000 for the same period of 2022; the $83,000 unfavourable variance was due to the weaker financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2023/2022 third quarter comparison

Revenues: $98,317,000, a $6,284,000 (-6.0%) decrease due mainly to:

  - 54.6% decrease in TVA Network's content revenues;

  - 3.4% decrease in revenues at the specialty channels, including decreases of 6.7% in advertising revenues and 2.1% in subscription revenues, largely on account of the "TVA Sports" channel; and

- 16.2% decrease in video-on-demand (“VOD”) revenues due to a cable operator ceasing to carry TVA Network programming on VOD;

partially offset by:

- 0.8% increase in TVA Network’s advertising revenues, as digital revenues continued to grow, increasing by 19.9%.

French-language audience share

Table 2
French-language audience share
(Market share in %)

Third quarter 2023 vs Third quarter 2022			
	2023	**2022**	**Difference**
French-language conventional broadcasters:			
TVA	**23.5**	23.5	–
SRC	**11.6**	12.1	- 0.5
noovo	**5.3**	5.8	- 0.5
	40.4	41.4	- 1.0
French-language specialty and pay services:			
TVA	**17.1**	16.6	0.5
Bell Media	**15.0**	13.4	1.6
Corus	**5.6**	6.2	- 0.6
SRC	**6.2**	6.1	0.1
Other	**5.7**	5.5	0.2
	49.6	47.8	1.8
Total English-language channels and other:	**10.0**	10.8	- 0.8
TVA Group	**40.6**	40.1	0.5

Source: Numeris, French Quebec, July 1 to September 30, Mon-Sun, 2:00 a.m – 2:00 a.m, All 2+.

TVA Group’s market share for the period of July 1 to September 30, 2023 increased by 0.5 points to 40.6%, compared with 40.1% for the same period of 2022.

TVA Group’s specialty services had a combined market share of 17.1% for the third quarter of 2023, compared with 16.6% for the same period of 2022, a 0.5-point increase. The news and public affairs channel “LCN” recorded a 0.3-point increase, remaining Quebec’s most-watched specialty channel. The “Prise 2,” “TVA Sports” and “ADDIK” channels also grew their market share by 0.3, 0.2 and 0.1 points respectively, while the “Casa,” “MOI ET CIE,” “Zeste” and “Yoopa” channels posted 0.1-point decreases each.

TVA Network maintained its lead among over-the-air channels with a 23.5% market share, more than its two main over-the-air rivals combined. During the third quarter of 2023, the Corporation broadcast 18 of the 30 most-watched programs in Quebec and three of the top five, including *Chanteurs masqués*, the Quebec version of *The Masked Singer*, which took the top spot with an average audience of nearly 1.7 million viewers, and the daily program *Indéfendable*, which stood out with an average audience of over 1.5 million viewers.

Adjusted EBITDA: $14,456,000, a $389,000 (2.8%) favourable variance due primarily to:

- 56.6% increase in adjusted EBITDA at "LCN" due primarily to savings on advertising and promotion costs, as well as on content costs; and
- 21.5% increase in Qolab's adjusted EBITDA, mainly due to savings on employee costs;

partially offset by:

- 11.9% decrease in adjusted EBITDA at the entertainment specialty channels, mainly "ADDIK" and "Casa," due to increased spending on content.

At "TVA Sports," a 9.4% decrease in operating expenses offset the decrease in its revenues. The decrease in costs stemmed from the cost reduction plan implemented since the beginning of the year. An 8.9% decrease in operating expenses at TVA Network also largely offset the decrease in its revenues. A favourable variance related to savings on content, employee and programming costs, in addition to the settlement of a legal dispute, contributed to the reduction in operating expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) decreased from 86.6% for the third quarter of 2022 to 85.3% for the same period of 2023. The decrease was caused essentially by lower operating expenses as a proportion of total expenses for the segment, which exceeded the decrease in revenues as a proportion of total revenues.

<u>2023/2022 year-to-date comparison</u>

Revenues: $330,167,000, a $10,741,000 (-3.2%) decrease due mainly to:

- 46.6% decrease in TVA Network's content revenues;
- 3.2% decrease in revenues at the specialty channels, including decreases of 4.9% and 2.4%, respectively, in advertising and subscription revenues, coming from, among others, "TVA Sports," which accounted for 52.1% and 63.7% of the decreases respectively; and
- 0.7% decrease in TVA Network's advertising revenues, despite an 18.1% increase in digital revenues.

Negative adjusted EBITDA: $12,889,000, an $11,339,000 unfavourable variance primarily due to:

- lower profitability at TVA Network, essentially due to the decreased revenues noted above, along with a 1.9% increase in operating expenses as a result of increased spending on content, which was reflected in all programming, particularly variety and drama series, despite savings on employee costs resulting from the cost reduction plan implemented at the beginning of the year, among other things;
- 11.5% decrease in adjusted EBITDA at the specialty channels other than "TVA Sports," mainly due to the impact of the 2.6% decrease in their revenues; and
- increase in negative adjusted EBITDA of "TVA Sports," due to lower revenues, as noted above, despite a 2.5% decrease in operating expenses owing largely to the cost reduction plan implemented at the beginning of the year, as well as savings on advertising and promotion expenses and on commissions on advertising sales;

partially offset by:

- higher adjusted EBITDA at Qolab due to higher margin realized on the projects delivered in the first nine months of 2023 compared with the same period of 2022.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) increased from 100.5% for the first nine months of 2022 to 103.9% for the same period of 2023. The increase was essentially due to the decrease in revenues.

Film Production & Audiovisual Services

2023/2022 third-quarter comparison

Revenues: $12,519,000, a $4,785,000 (-27.7%) decrease mainly due to lower volume of activities across the entire segment, with the exception of virtual production services, including:

- 40.8% decrease in soundstage, mobile and equipment rental revenues due, among other things, to a lack of major productions at our studios, unlike in the same period of 2022;
- 15.4% decrease in postproduction revenues;
- unfavourable variance due to the discontinuation of visual effects activities on March 31, 2023; and
- 7.9% decrease in revenues from media accessibility services;

Adjusted EBITDA: $669,000, a $1,916,000 (-74.1%) decrease due mainly to:

- 93.2% decrease in adjusted EBITDA generated by soundstage, mobile and equipment rental services, resulting mainly from an unfavourable variance in revenues, as noted above; and
- 74.5% decrease in adjusted EBITDA generated by postproduction activities, also due mainly to an unfavourable variance in revenues;

partially offset by:

- discontinuation of loss-making visual effects services since March 31, 2023.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 85.1% for the third quarter of 2022 to 94.7% for the third quarter of 2023. The increase was essentially due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

2023/2022 year-to-date comparison

Revenues: $39,030,000, a $15,959,000 (-29.0%) decrease mainly due to lower volume of activities across the entire segment, with the exception of virtual production services, including:

- 47.0% decrease in soundstage, mobile and equipment rental revenues due to the absence of major productions at our studios and to lower volumes of activity for the first nine months of 2023, compared with the same period of 2022;
- 89.5% decrease in visual effects revenues due to the gradual discontinuation of this service in 2023, until it was completely discontinued on March 31, 2023;
- 6.7% decrease in postproduction revenues; and
- 5.0% decrease in revenues from media accessibility services;

partially offset by:

- 124.8% increase in virtual production revenues, due to higher volume of activities.

Negative adjusted EBITDA: $299,000, an $8,900,000 unfavourable variance, primarily due to:

- decreased profitability of soundstage, mobile and equipment rental services, mainly due to lower revenues, as noted above;
- lower profitability of postproduction activities; and
- 39.2% decrease in adjusted EBITDA from media accessibility services, due to lower volume of activities;

partially offset by:

- favourable variance due to the gradual discontinuation of loss-making visual effects activities this year, until they were completely discontinued on March 31, 2023; and
- increased profitability of virtual production activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 84.4% for the first nine months of 2022 to 100.8% for the same period of 2023. The increase was essentially due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

Magazines

2023/2022 third quarter comparison

Revenues: $9,342,000, a $603,000 (-6.1%) decrease primarily due to:

- 7.8% decrease in newsstand revenues, mainly in the entertainment magazines category; and
- 11.4% decrease in subscription revenues, affecting both monthly and entertainment titles.

Canada Periodical Fund ("CPF")

The Government of Canada created the CPF on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. In 2020, the program was enhanced for the 12-month reference period starting April 1, with additional one-time government assistance offered to help industry organizations cope with the public health crisis, resulting in a 25% increase in the grant received for that reference period. In 2021, the program was renewed for 12 months, resulting in a 14% increase in the grant received for the April 1, 2021 to March 31, 2022 reference period. The Minister of Canadian Heritage also announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, after which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under revenues. It amounted to 20.1% of the segment's revenues for the three-month period ended September 30, 2023 (19.3% for the same period of 2022).

Adjusted EBITDA: $1,288,000, a $66,000 (5.4%) increase due mainly to:

- savings in areas such as content costs, employee costs and newsstand selling and subscription expenses;

largely offset by:

- the decrease in revenues, as noted above.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) decreased from 87.7% for the third quarter of 2022 to 86.2% for the same period of 2023. The decrease was caused essentially by lower operating expenses as a proportion of total expenses for the segment, which exceeded the decrease in revenues as a proportion of total revenues.

2023/2022 year-to-date comparison

Revenues: $27,351,000, a $2,629,000 (-8.8%) decrease due mainly to:

- 12.4% decrease in assistance from the CPF due to the negative impact of the change in the grant allocation method for its regular program, as well as the end of the enhanced one-time assistance provided in the context of the public health crisis since April 1, 2022, as noted above;
- 7.4% decrease in newsstand revenues, affecting both entertainment and monthly categories;
- 8.1% decrease in subscription revenues, affecting both monthly and entertainment titles; and
- 6.7% decrease in advertising revenues.

Adjusted EBITDA: $1,230,000, a $2,078,000 (-62.8%) decrease, mainly due to lower revenues, as noted above, although some savings were achieved, notably in employee costs, selling expenses and subscription and newsstand selling expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) increased from 89.0% for the nine-month period ended September 30, 2022 to 95.5% for the same period of 2023. The increase was mainly due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

Production & Distribution

2023/2022 third-quarter comparison

Revenues: $2,550,000, a $729,000 (-22.2%) decrease due mainly to:

- decrease in international distribution revenues, mainly for films produced by Incendo;

partially offset by:

- higher Canadian distribution revenues, also mainly for films produced by Incendo; and
- increase in TVA Films' revenues.

Activities related to the distribution of films produced by Incendo accounted for 46.8% of the segment's revenues for the three-month period ended September 30, 2023, compared with 69.8% for the same period of 2022.

Negative adjusted EBITDA: $146,000, a $195,000 unfavourable variance, mainly due to the lower total gross margin in international distribution for the three-month period ended September 30, 2023, and the lower profitability of TVA Films, partially offset by savings on Incendo's administrative expenses and by a higher total gross margin in Canadian distribution.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 98.5% for the three-month period ended September 30, 2022 to 105.7% for the same period of 2023. The increase was caused mainly by lower revenues as a proportion of total revenues for the segment, which exceeded the decrease in operating expenses as a proportion of total expenses.

2023/2022 year-to-date comparison

Revenues: $10,773,000, a $942,000 (-8.0%) decrease due mainly to:

- decrease in international distribution revenues, mainly for films produced by Incendo;

partially offset by:

- increase in TVA Films' revenues.

Activities related to the distribution of films produced by Incendo accounted for 52.5% of the segment's revenues for the nine-month period ended September 30, 2023, compared with 60.4% for the same period of 2022.

Adjusted EBITDA: $81,000, a $1,032,000 (-92.7%) decrease, mainly due to lower total gross margin in international and Canadian distribution, and the lower profitability of TVA Films, partially offset by savings on Incendo's administrative expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 90.5% for the nine-month period ended September 31, 2022 to 99.2% for the same period of 2023. The increase was mainly due to lower revenues.

CASH FLOWS AND FINANCIAL POSITION

Table 3 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 3
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three months ended September 30		**Nine months ended September 30**	
	2023	2022	**2023**	2022
Cash flows related to operating activities	**$ 19,412**	$ (1,824)	**$ (68,141)**	$ (9,103)
Additions to property, plant and equipment and intangible assets	**(1,042)**	(4,026)	**(3,098)**	(17,062)
Business acquisitions	–	(2,573)	–	(6,323)
Dividends to non-controlling shareholders	–	(1,150)	–	(1,150)
Other	**(236)**	(322)	**(1,565)**	(1,859)
Repayment of (increase in) net debt	**$ 18,134**	$ (9,895)	**$ (72,804)**	$ (35,497)

	September 30, 2023	December 31, 2022
At period end:		
Bank indebtedness	**$ 14,004**	$ 1,107
Short-term debt	–	8,961
Long-term debt	**68,868**	–
Net debt	**$ 82,872**	$ 10,068

Operating activities

Cash flows related to operating activities: $21,236,000 increase for the three-month period ended September 30, 2023 compared with the same period of 2022, due mainly to a $21,445,000 net favourable variance in operating assets and liabilities, including favourable variances in accounts payable, accrued liabilities and provisions and audiovisual content, partially offset by unfavourable variances in current tax assets and liabilities, accounts receivable and content rights payable.

Cash flows related to operating activities: $59,038,000 decrease for the nine-month period ended September 30, 2023, compared with the same period of 2022, due mainly to a $41,824,000 net unfavourable variance in operating assets and liabilities and a $23,044,000 unfavourable variance in adjusted EBITDA, partially offset by a favourable variance in current income tax recovery. The net unfavourable change in operating assets and liabilities was due notably to unfavourable variances in content rights payable and current tax assets and liabilities, partially offset by favourable variances in audiovisual content and accounts payable, accrued liabilities and provisions.

Working capital: $116,153,000 as at September 30, 2023, compared with $60,587,000 as at December 31, 2022. This $55,566,000 favourable variance was mainly due to decreases in content rights payable and accounts payable, accrued liabilities and provisions, partially offset by lower accounts receivable.

Investing activities

Additions to property, plant and equipment and intangible assets: $1,042,000 for the third quarter of 2023, compared with $4,026,000 for the same period of 2022. The $2,984,000 (-74.1%) decrease was essentially due to construction on MELS 4, which began in the first quarter of 2022, and a change in the net variance in additions to property, plant and equipment and to intangible assets financed by accounts payable and accrued liabilities.

Additions to property, plant and equipment and intangible assets: $3,098,000 for the first nine months of 2023, compared with $17,062,000 for the same period of 2022, a decrease of $13,964,000 (-81.8%) due primarily to the start of construction of MELS 4 in the first quarter of 2022, as well as a difference in the net variance in additions to property, plant and equipment and intangible assets financed by accounts payable and accrued liabilities.

During the nine-month period ended September 30, 2023, expenditures related to property, plant and equipment and intangible assets mainly consisted of disbursements related to 2022 projects, financed by accounts payable and accrued liabilities as at December 31 of that year.

Business acquisitions: Nil for the three-month period ended September 30, 2023 ($2,573,000 for the same period of 2022). During the third quarter of 2022, the Corporation made a payment of $2,573,000 in respect of the contingent consideration in connection with the acquisition of Incendo.

Business acquisitions: Nil for the nine-month period ended September 30, 2023 ($6,323,000 for the same period of 2022). During the nine-month period ended September 30, 2022, the Corporation made a payment of $6,323,000 in respect of the balance payable and contingent consideration in connection with the acquisition of Incendo.

Dividends to non-controlling shareholders: Nil for the three- and nine-month periods ended September 30, 2023 ($1,150,000 for the same periods of 2022 as part of the final process of liquidating subsidiaries in magazine publishing that were shut down).

Financing activities

Short-term debt (excluding deferred financing costs): Nil as at September 30, 2023, compared with $8,970,000 as at December 31, 2022. The Corporation repaid its entire syndicated revolving credit facility, which matures on February 24, 2024, in the first quarter of 2023.

Long-term debt (excluding deferred financing costs): $69,000,000 as at September 30, 2023, compared with nil as at December 31, 2022. The Corporation entered into a new financing agreement with its parent corporation during the second quarter of 2023 (see the “Financial position as at September 30, 2023” section below).

Financial position as at September 30, 2023

Net available liquid assets: $36,996,000, consisting of a $51,000,000 unused and available revolving credit facility, less a $14,004,000 bank indebtedness.

As at September 30, 2013, minimum principal payments on long-term debt in the coming 12-month periods were as follows:

Table 4
Minimum principal payments on TVA Group's long-term debt
12-month periods ended September 30
(in thousands of dollars)

2024	$	–
2025		69,000
2026		–
2027		–
2028 and thereafter		–
Total	**$**	**69,000**

The weighted average term of TVA Group's debt was approximately 1.6 years as of September 30, 2023 (0.1 years as of December 31, 2022). The debt consisted entirely of floating-rate debt as of September 30, 2023 and December 31, 2022.

On June 28, 2023, the Corporation entered into an agreement for a new $120,000,000 secured revolving credit facility maturing on June 15, 2025, with QMI as lender. This revolving credit facility bears interest at the Canadian banker's acceptance rate or prime rate, plus a spread based on the Corporation's debt ratio.

Also on June 28, 2023, the Corporation entered into a new $20,000,000 secured on-demand credit facility with a bank. This on-demand credit facility bears interest at the Canadian or U.S. prime rate, plus a spread based on the Corporation's debt ratio.

Concurrently, the Corporation terminated its bank facility consisting of a $75,000,000 secured syndicated revolving credit facility on June 28, 2023.

The two new credit facilities contain certain restrictive covenants as well as typical representations and warranties for this type of agreement.

As at September 30, 2023, drawings on the on-demand credit facility totalled $9,310,000, in addition to $2,805,000 in outstanding letters of credit; $69,000,000 was also drawn on the revolving credit facility taken out with QMI.

In December 2021, Investissement Québec extended an unsecured, interest-free loan for a maximum amount of $25,000,000 to Mels Studios and Postproduction G.P. in order to support the construction of a fourth production studio. The loan contains certain restrictive covenants, as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan over 10 years and includes a moratorium for the first three years. As at September 30, 2023, no disbursement had been made on the loan by Investissement Québec.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to fulfill its commitments with respect to investments in property, plant and equipment, business acquisitions, working capital, interest payments, income tax payments, repayment of debt and lease liabilities, pension plan contributions, share redemptions and shareholder dividends and to meet its commitments and guarantees.

As at September 30, 2023, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at September 30, 2023

Table 5
Consolidated balance sheets of TVA Group
Analysis of main variances between September 30, 2023 and December 31, 2022
(in thousands of dollars)

	September 30, 2023	December 31, 2022	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 137,797**	$ 175,174	$ (37,377)	Impact of the decrease in volume of activities in some segments and the collection of certain receivables from entities under common control.
Current audiovisual content	**121,455**	135,038	(13,583)	Impact of current and seasonal variations in activities.
Property, plant and equipment	**144,093**	157,784	(13,691)	Impact of the depreciation expense and the decrease in investment projects.
Liabilities				
Bank indebtedness	**$ 14,004**	$ 1,107	$ 12,897	Impact of the decrease in volume of activities in some segments.
Accounts payable, accrued liabilities and provisions	**95,858**	114,174	(18,316)	Impact of the decrease in volume of activities in some segments and the payment of some balances to related companies.
Current content rights payable	**44,355**	124,394	(80,039)	Impact of the payment of certain sports content rights.
Long-term debt	**68,868**	–	68,868	Impact of the use of parent corporation financing to pay for certain sports content rights.

ADDITIONAL INFORMATION

Contractual obligations

As at September 30, 2023, material contractual commitments related to operating activities included principal repayments and interest on debt and lease liabilities, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 6.

Table 6
Material contractual obligations of TVA Group as at September 30, 2023
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ –	$ 69,000	$ –	$ –	$ 69,000
Lease liabilities	1,868	3,239	1,432	1,375	7,914
Payment of interest[1]	6,083	4,753	202	94	11,132
Content rights	205,700	172,955	6,652	314	385,621
Other commitments	10,929	6,142	1,536	–	18,607
Total	**$ 224,580**	**$ 256,089**	**$ 9,822**	**$ 1,783**	**$ 492,274**

[1] *Interest is calculated on a debt level equal to that as at September 30, 2023 and includes standby fees on the revolving credit facility and interest on lease obligations.*

Related party transactions

The Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

In the third quarter of 2023, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of $28,676,000 ($33,786,000 for the third quarter of 2022).

In the third quarter of 2023, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling $16,868,000 ($21,123,000 for the third quarter of 2022).

In the third quarter of 2023, the Corporation also billed management fees to corporations under common control in the amount of $1,418,000 ($1,323,000 for the third quarter of 2022). These fees are recorded as a reduction of operating expenses.

The Company also assumed management fees of the parent corporation in the amount of $1,220,000 for the third quarter of 2023 ($945,000 for the third quarter of 2022), as well as interest on the secured revolving credit facility in the amount of $1,445,000.

In the first nine months of 2023, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of $89,863,000 ($93,183,000 during the first nine months of 2022).

In the first nine months of 2023, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling $77,266,000 ($68,591,000 for the first nine months of 2022).

In the first nine months of 2023, the Corporation also billed management fees to corporations under common control in the amount of $4,400,000 ($4,206,000 for the first nine months of 2022).

The Company also assumed management fees of the parent corporation in the amount of $3,660,000 for the first nine months of 2023 ($2,835,000 for the first nine months of 2022), as well as interest on the secured revolving credit facility in the amount of $1,505,000.

Capital stock

Table 7 below presents information on the Corporation's capital stock. In addition, 393,774 Class B stock options of the Corporation were outstanding as at October 13, 2023.

Table 7
Number of shares outstanding as at October 13, 2023
(in shares and dollars)

	Issued and outstanding	Carrying amount
Class A common shares	4,320,000	$ 0.02
Class B shares	38,885,535	$ 5.33

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. There have not been any changes in internal control over financial reporting during the three-month period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada. It is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of those documents are available free of charge from the Corporation on request, and on the Web at www.sedarplus.ca and www.groupetva.ca.

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include the possibility that the reorganization plan will not be carried out on schedule or at all, the possibility that the Corporation will be unable to realize the anticipated benefits of the reorganization plan in a timely manner or at all, the possibility of unknown potential liabilities or costs related to the reorganization plan, the possibility that the Corporation will be unable to successfully implement its business strategies, seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and the risks related to public health emergencies, as well as any urgent steps taken by government.

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedarplus.ca and www.groupetva.ca, including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2022.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of November 2, 2023, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the applicable securities laws.

Montreal, Quebec

November 2, 2023

Table 8
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2023			2022
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	**$ 118,620**	$ 138,760	$ 136,103	$ 171,924
Adjusted EBITDA (negative adjusted EBITDA)	**$ 16,485**	$ (3,843)	$ (23,977)	$ 7,676
Net loss attributable to shareholders	**$ (639)**	$ (7,847)	$ (23,533)	$ (264)
Basic and diluted per-share data				
Basic and diluted loss per share	**$ (0.01)**	$ (0.18)	$ (0.54)	$ (0.01)
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2022			2021
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Revenues	$ 130,519	$ 147,469	$ 144,497	$ 171,901
Adjusted EBITDA (negative adjusted EBITDA)	$ 18,195	$ 3,235	$ (9,721)	$ 28,678
Net income (loss) attributable to shareholders	$ 7,623	$ (3,212)	$ (13,016)	$ 12,095
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	$ 0.18	$ (0.07)	$ (0.30)	$ 0.28
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	43,308	43,206	43,206	43,339

- The Corporation's businesses experience significant seasonality caused, among other factors, by seasonal advertising patterns, consumers' viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising spending.
- In the Broadcasting segment, operating expenses vary mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts. In the Film Production & Audiovisual Services segment, operating costs fluctuate according to demand for production services from international and local producers. In the Magazines segment, operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Production & Distribution segment, operating expenses fluctuate according to delivery schedules and estimated future revenues.

Accordingly, adjusted EBITDA for interim periods may vary from one quarter to the next.